



Nquthu Local Municipality
Annual Financial Statements
for the year ended 30 June 2011

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Local Municipality
Executive Committee	Cllr. EN Molefe (Mayor) Cllr. SM Kunene (Deputy Mayor) Cllr. NM Zungu Cllr. RS Nyamane Cllr. ML Dlamini Cllr. NS Mkhize Cllr. VB Ntombela (Speaker)
Ordinary Councillors	Cllr. S Ndlovu Cllr. JC Ndlovu Cllr. SM Buthelezi Cllr. GAN Buthelezi Cllr. LS Sangweni Cllr. SM Shabangu Cllr. TW Madondo Cllr. RS Langa Cllr. KS Selepe Cllr. CS Mzizi Cllr. HM Moloi Cllr. RA Ndlovu Cllr. SMC Zikode Cllr. CT Buthelezi Cllr. GH Buthelezi Cllr. LS Hoffman Cllr. IT Nhlebela Cllr. TM Ndlovu Cllr. FA Hlatshwayo Cllr. PP Khoza Cllr. EM Mkhwanazi Cllr. ME Mnguni Cllr. SP Mazibuko Cllr. SJ Mkhwanazi Cllr. ZG Ngcobo Cllr. BI Zwane Cllr. ET Zulu
Grading of local authority	Grade 2
Accounting Officer	Mr. Bonginkosi Paul Gumbi
Chief Finance Officer (CFO)	Mr. Welcome Sakhile Mpanza
Registered office	Municipal Building 83/11 Mdlaolose Street Nquthu 3135
Business address	Municipal Building 83/11 Mdlaolose Street

Nquthu Local Municipality

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General Information

	Nquthu 3135
Postal address	Private Bag X 5521 Nquthu 3135
Bankers	ABSA South Africa
Auditors	Auditor General
Attorneys	Kevin Dass Attorneys

Nquthu Local Municipality

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The reports and statements set out below comprise the annual financial statements presented to the Nquthu Local Municipality Council.:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 40, which have been prepared on the going concern basis, were approved by the on 31 August 2011 and were signed on its behalf by:

Accounting Officer
Designation

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	5	559,541	211,109
Trade and other receivables from exchange transactions	6	1,507,784	866,085
VAT receivable	7	-	964,487
Consumer debtors	8	12,056,477	6,350,656
Cash and cash equivalents	9	32,440,950	10,804,835
		46,564,752	19,197,172
Non-Current Assets			
Investment property	2	1,412,980	1,360,918
Property, plant and equipment	3	70,316,089	54,735,676
Intangible assets	4	94	2,339
		71,729,163	56,098,933
Non-Current Assets		71,729,163	56,098,933
Current Assets		46,564,752	19,197,172
Total Assets		118,293,915	75,296,105
Liabilities			
Current Liabilities			
Finance lease obligation	10	602,919	602,918
Trade and other payables from exchange transactions	14	3,040,627	5,516,563
VAT payable	15	1,695,420	-
Consumer deposits	16	90,687	85,673
Unspent conditional grants and receipts	11	12,516,511	4,274,040
Long-term Provisions	12	1,434,982	1,455,967
DBSA Loan Current portion	13	757,359	757,359
		20,138,505	12,692,520
Non-Current Liabilities			
Finance lease obligation	10	330,389	1,082,398
Long-term Provisions	12	270,833	-
DBSA Loan - Long-term portion	13	2,522,638	3,236,355
		3,123,860	4,318,753
Non-Current Liabilities		3,123,860	4,318,753
Current Liabilities		20,138,505	12,692,520
Total Liabilities		23,262,365	17,011,273
Assets		118,293,915	75,296,105
Liabilities		(23,262,365)	(17,011,273)
Net Assets		95,031,550	58,284,832
Net Assets			
Accumulated surplus		95,031,538	58,284,835

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	18	5,990,029	3,553,840
Service charges	19	9,456,928	7,554,613
Property rates - penalties imposed and collection charges		739,289	-
Rental of facilities and equipment		527,236	512,331
Fines		280,785	130,150
Government grants & subsidies	20	63,038,274	54,014,379
Commissions received		69,384	-
Other income	21	399,708	523,027
Interest received - investment	26	512,665	262,672
Gains on disposal of assets	26	-	53,976
Total Revenue		81,014,298	66,604,988
Expenditure			
Personnel	23	(17,065,109)	(15,009,557)
Remuneration of councillors	24	(6,050,747)	(4,990,786)
Depreciation and amortisation	27	(4,008,496)	(3,722,293)
Finance costs	28	(91,303)	(354,229)
Provision for bad debt	25	(114,091)	(2,313,108)
Repairs and maintenance		(496,651)	(786,018)
Bulk purchases	32	(9,129,916)	(7,964,441)
Contracted services	30	(1,565,471)	(1,555,200)
Grants Operating Expenditure	31	(3,360,735)	(15,262,512)
General Expenses	22	(9,010,758)	(7,562,553)
Total Expenditure		(50,893,277)	(59,520,697)
Revenue		81,014,298	66,604,988
Expenditure		(50,893,277)	(59,520,697)
Surplus for the year		30,121,021	7,084,291

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2009	51,200,544	51,200,544
Changes in net assets		
Surplus for the year	7,084,291	7,084,291
Total changes	7,084,291	7,084,291
Balance at 01 July 2010	64,910,517	64,910,517
Changes in net assets		
Surplus for the year	30,121,021	30,121,021
Total changes	30,121,021	30,121,021
Balance at 30 June 2011	95,031,538	95,031,538
Note(s)		

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		15,436,146	11,108,453
Grants		63,038,274	54,014,379
Interest income		512,665	262,672
Other receipts		1,793,274	1,219,483
Movement in receivables		-	(2,117,155)
		80,780,359	64,487,832
Payments			
Employee costs		(23,115,851)	(20,000,343)
Suppliers		(31,966,858)	(32,024,259)
Finance costs		(91,303)	256,880
Decrease in trade and other payables		(782,391)	(1,046,888)
		(55,956,403)	(52,814,610)
Total receipts		80,780,359	64,487,832
Total payments		(55,956,403)	(52,814,610)
Undefined difference compared to the cash generated from operations note		11,290,913	-
Net cash flows from operating activities	33	36,114,869	11,673,222
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(22,802,750)	(16,270,718)
Proceeds from sale of property, plant and equipment	3	2,071,786	144,255
Purchase of other intangible assets	4	-	(3,238)
Net cash flows from investing activities		(20,730,964)	(16,129,701)
Cash flows from financing activities			
Movement in dbsa loan - long-term portion		(713,717)	(987,508)
Finance lease payments		(752,008)	1,127,668
Net cash flows from financing activities		(1,465,725)	140,160
Net increase/(decrease) in cash and cash equivalents		13,918,180	(4,316,319)
Cash and cash equivalents at the beginning of the year		10,804,835	5,656,495
Cash and cash equivalents at the end of the year	9	24,723,015	1,340,176

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period, except for the changes set out in the note in the relevant policy.

1.1 Significant judgements and sources of information

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years
Lifts	x years
Air-conditioners	x years
Other components	x years

Transitional provision

Accounting Policies

1.2 Investment property (continued)

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 2. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in 2.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.3 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Community	
• Outdoor sports facilities	20
• Community Halls	30
• Public Conveniences	30
Medical equipment	
• Computer Software (part of computer)	5
• Emergency equipment	5 - 15
• Furniture and Fittings	3 - 10
• Motor Vehicles	5
• Office Equipment	5
• Other Assets	2-30

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.3 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets comprise computer software and anti-virus software and are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided for intangible assets on a straight line basis over the useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Patents, trademarks and other rights	5 years / indefinite
Brand names	5 years
Licenses and franchises	5 years

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4 Intangible assets (continued)

Computer software, internally generated	5 years
Computer software, other	5 years
Intangible assets under development	5 years
Intangible assets 1	5 years
Intangible assets 2	5 years
Other intangible assets	5 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Trade and other receivables

Trade receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other payables

Trade payables are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Accounting Policies

1.7 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Investment income

Interest and rentals are recognised on a time proportion basis.

1.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.24 Segmental information (continued)

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,999,640	(586,660)	1,412,980	1,999,640	(638,722)	1,360,918

Reconciliation of investment property - 2011

	Opening balance	Difference	Total
Investment property	1,360,918	52,062	1,412,980

Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
Investment property	1,423,573	(62,655)	1,360,918

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

Transitional provisions

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011			2010		
3. Property, plant and equipment						
	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14,300,000	-	14,300,000	16,087,000	-	16,087,000
Buildings	15,463,070	(17,071,632)	(1,608,562)	10,902,783	(1,849,854)	9,052,929
Furniture and fixtures	-	(817,850)	(817,850)	-	-	-
Office equipment	-	(4,881,326)	(4,881,326)	-	(5,071,250)	(5,071,250)
IT equipment	1,037,237	-	1,037,237	954,747	-	954,747
Infrastructure	36,806,411	(1,700,824)	35,105,587	32,314,138	(12,533,323)	19,780,815
Community	5,390,174	-	5,390,174	4,932,048	(1,578,599)	3,353,449
Capital work in progress	9,228,134	-	9,228,134	-	-	-
Finance leased Assets	2,230,974	(977,847)	1,253,127	2,045,917	(483,545)	1,562,372
Other property, plant and equipment # 4	11,309,568	-	11,309,568	9,015,614	-	9,015,614
Total	95,765,568	(25,449,479)	70,316,089	76,252,247	(21,516,571)	54,735,676

Reconciliation of property, plant and equipment - 2011

	Opening balance	Difference	Additions	Disposals	Depreciation	Total
Land	16,087,000	-	-	(1,787,000)	-	14,300,000
Buildings	9,052,929	(10,567,616)	773,995	-	(867,870)	(1,608,562)
Furniture and fixtures	-	8,195	-	-	(826,045)	(817,850)
Office equipment	(5,071,250)	-	189,924	-	-	(4,881,326)
IT equipment	954,747	-	82,490	-	-	1,037,237
Infrastructure	19,780,815	17,025,596	-	-	(1,700,824)	35,105,587
Community	3,353,449	1,053,167	983,558	-	-	5,390,174
Capital work in progress	-	-	9,228,134	-	-	9,228,134
Finance leased Assets	1,562,372	351,971	235,081	(284,786)	(611,511)	1,253,127
Other property, plant and equipment # 4	9,015,614	(9,015,614)	11,309,568	-	-	11,309,568
	54,735,676	(1,144,301)	22,802,750	(2,071,786)	(4,006,250)	70,316,089

Reconciliation of property, plant and equipment - 2010

	Opening balance	Difference	Additions	Disposals	Depreciation	Total
Land	16,087,000	-	-	-	-	16,087,000
Buildings	9,419,059	-	-	-	(366,130)	9,052,929
Office equipment	(4,322,910)	(3,857,295)	3,108,955	-	-	(5,071,250)
IT equipment	492,798	-	461,949	-	-	954,747
Infrastructure	19,849,460	-	1,774,083	-	(1,842,728)	19,780,815
Community	3,547,858	-	-	-	(194,409)	3,353,449
Finance leased Assets	249,666	-	1,910,117	(90,279)	(507,132)	1,562,372
Other property, plant and equipment # 4	6,355,710	(6,355,710)	9,015,614	-	-	9,015,614
	51,678,641	(10,213,005)	16,270,718	(90,279)	(2,910,399)	54,735,676

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	8,993	(8,899)	94	11,238	(8,899)	2,339

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software, other	2,339	(2,245)	94

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	3,238	(899)	2,339

5. Inventories

Consumable stores	559,541	211,109
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6. Trade and other receivables from exchange transactions

Other debtors	1,507,784	866,085
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7. VAT receivable

VAT	-	964,487
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8. Consumer debtors

Gross balances

Rates	9,582,594	5,513,711
Electricity	3,227,845	3,800,742
Refuse	8,702,156	6,377,707
	21,512,595	15,692,160

Less: Provision for debt impairment

Rates	-	(3,282,483)
Electricity	(9,456,118)	(2,262,175)
Refuse	-	(3,796,846)
	(9,456,118)	(9,341,504)

Net balance

Rates	9,582,594	2,231,228
Electricity	(6,228,273)	1,538,567
Refuse	8,702,156	2,580,861
	12,056,477	6,350,656

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
8. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	398,632	432,785
31 - 60 days	353,663	77,302
61 - 90 days	351,361	106,711
91 - 120 days	256,792	427,136
121 - 365 days	313,249	1,996,008
> 365 days	5,426,791	2,473,769
	7,100,488	5,513,711
Electricity		
Current (0 -30 days)	63,785	406,112
31 - 60 days	57,500	277,344
61 - 90 days	52,466	196,609
91 - 120 days	20,847	271,623
121 - 365 days	20,120	963,292
> 365 days	1,255,121	1,685,762
	1,469,839	3,800,742
Refuse		
Current (0 -30 days)	294,726	340,403
31 - 60 days	280,426	239,692
61 - 90 days	292,321	220,318
91 - 120 days	277,414	229,972
121 - 365 days	266,977	2,510,451
> 365 days	4,642,226	2,826,871
	6,054,090	6,367,707

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
8. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	420,818	446,672
31 - 60 days	389,453	323,440
61 - 90 days	376,973	219,536
91 - 120 days	353,657	372,353
121 - 365 days	343,539	3,217,887
> 365 days	5,796,900	1,509,632
	7,681,340	6,089,520
Industrial/ commercial		
Current (0 -30 days)	247,774	560,367
31 - 60 days	38,059	133,368
61 - 90 days	38,490	82,716
91 - 120 days	41,039	188,479
121 - 365 days	27,776	350,905
> 365 days	444,458	2,318,671
	837,596	3,634,506
National and provincial government		
Current (0 -30 days)	354,022	560,938
31 - 60 days	302,094	228,214
61 - 90 days	214,042	223,311
91 - 120 days	211,525	402,970
121 - 365 days	213,725	1,394,603
> 365 days	2,963,044	3,158,098
	4,258,452	5,968,134
Total		
Current (0 -30 days)	1,209,046	1,567,977
31 - 60 days	911,812	685,022
61 - 90 days	760,433	525,562
91 - 120 days	742,618	963,802
121 - 365 days	749,153	4,963,920
> 365 days	10,515,277	6,986,401
	14,888,339	15,692,684
Less: Provision for debt impairment	(2,828,389)	(9,342,028)
Undefined Difference	(3,473)	-
	12,056,477	6,350,656
Reconciliation of debt impairment provision		
Balance at beginning of the year	9,342,028	7,028,920
Contributions to provision	114,091	2,313,108
	9,456,119	9,342,028
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	17,171,049	10,804,835
Short-term deposits	15,269,901	-
	32,440,950	10,804,835

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA BANK - Cheque Account - 405-3562-762	4,485,801	1,613,583	404,348	4,470,139	1,613,583	404,348
ABSA BANK - Cheque Account Semi-Dormant - 406-1817-353	3,938,667	47,260	48,436	48,436	48,436	48,436
ABSA BANK - Savings Account Type - 914-2845-014	8,761,242	10,098,931	3,993,018	8,761,242	10,098,931	3,993,018
Total	17,185,710	11,759,774	4,445,802	13,279,817	11,760,950	4,445,802

10. Finance lease obligation

Minimum lease payments due

- within one year	982,187	813,237
- in second to fifth year inclusive	-	1,208,925
	982,187	2,022,162
less: future finance charges	-	(336,846)
Present value of minimum lease payments	982,187	1,685,316

Present value of minimum lease payments due

- within one year	-	602,918
- in second to fifth year inclusive	-	1,082,398
	-	1,685,316

Non-current liabilities	330,389	1,082,398
Current liabilities	602,919	602,918
	933,308	1,685,316

Interest rates are fixed on the contract date. All lease escalate at between 10% and 15% p.a and no arrangements have been entered into for contingent rent.

The average lease term is 3 years and the average effective borrowing rate was 12% (2010: 12%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Anti Corruption	-	39,085
Municipal Government Grant	23,974	600,000
Capacity Building	94,484	199,133
Corridor Development	1,784,115	2,332,499
MPCC	500,000	500,000
MFMA	105,127	105,127
Cybercadet	118,729	139,051
IDP	4,604	4,604
MIG	747,455	(42,671)
Financial System Grant	(345,444)	(345,444)
MAP	216,498	526,645
MSIG	20,376	4,866
FMG	9,729	1,664
Public Participation	(60,438)	(60,438)
Synergistic	245,906	247,450
Youth Fund	-	22,469
Bornem grant	46,318	-
Rehabilitation of CBD Roads grant	9,000,000	-
Library Volunteer	5,078	-
	12,516,511	4,274,040

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note Appendix F for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

12. Long-term Provisions

Reconciliation of long-term provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	-	270,833	270,833
Leave pay provision	1,455,967	(20,985)	1,434,982
	1,455,967	249,848	1,705,815

Reconciliation of long-term provisions - 2010

	Opening Balance	Additions	Total
Leave pay provision	1,315,936	140,031	1,455,967
Non-current liabilities		270,833	-
Current liabilities		1,434,982	1,455,967
		1,705,815	1,455,967

13. DBSA Loan - Long-term portion

Refer to Appendix A for the reconciliation of external loans.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
13. DBSA Loan - Long-term portion (continued)		
DBSA Loan - account number 100524/2	-	2,560,277
DBSA Loan - account number 100524/3	-	1,433,437
Less - Current Portion of DBSA Loans	-	(757,359)
	-	3,236,355
14. Trade and other payables from exchange transactions		
Trade payables	1,777,220	4,729,938
Accrued bonus	852,500	753,728
Other payables	49,955	32,897
Retentions - Capital projects	360,952	-
	3,040,627	5,516,563
15. VAT payable		
Tax refunds payables	1,695,420	-
16. Consumer deposits		
Electricity	90,687	85,673
17. Revenue		
Property rates	5,990,029	3,553,840
Property rates – Penalties imposed and collection charges	739,289	-
Service charges	9,456,928	7,554,613
Rental of facilities & equipment	527,236	512,331
Fines	280,785	130,150
Government grants & subsidies	63,038,274	54,014,379
	80,032,541	65,765,313
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	9,456,928	7,554,613
Rental of facilities & equipment	527,236	512,331
	9,984,164	8,066,944
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	5,990,029	3,553,840
Property rates – Penalties imposed and collection charges	739,289	-
Fines	280,785	130,150
Transfer revenue		
Government grants & subsidies	63,038,274	54,014,379
Other income	399,708	523,027
Gain or loss on disposal of assets and liabilities	-	53,976
	70,448,085	58,275,372

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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18. Property rates

Rates received

Property rates	5,990,029	3,553,840
	5,990,029	3,553,840
Property rates - penalties imposed and collection charges	739,289	-
	6,729,318	3,553,840

Valuations

Residential	321,583,000	321,583,000
Commercial	231,798,000	231,798,000
State	340,706,000	340,706,000
Municipal	25,432,000	25,432,000
	919,519,000	919,519,000

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Different rate randage are charged for different categories of rate payers. No additional rebates were granted to any categories of ratepayers except for the compulsory phasing in of certain rates as contained in the Council's approved Property Rates Policy.

Rates are levied on a monthly basis in 12 equal installments payable on the 15th of the subsequent month. Interest is charged on outstanding rates accounts.

19. Service charges

Sale of electricity	6,222,647	5,000,417
Refuse removal	3,234,281	2,554,196
	9,456,928	7,554,613

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
20. Government grants and subsidies		
Equitable share	47,451,442	36,894,760
Corridor Development Grant	-	35,500
Cybercadet Grant	663,854	205,213
Financial Management Grant	-	1,524,774
MAP Income	310,148	563,643
Financial Management Grant	1,196,138	1,166,128
Municipal System Improve Grant	734,490	809,750
Municipal Infrastructure Grant	11,829,939	12,598,593
Public Participation Income	-	97,455
Synergetic Partnership Program	1,544	97,160
Youth Fund	22,469	21,403
Municipal Governance Grant	576,026	-
Library Volunteer Grant	6,922	-
Bornem Grant	101,568	-
Anti-Corruption Strategy Grant	39,085	-
Capacity Building Grant	104,649	-
	63,038,274	54,014,379

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All the residents with electricity get a Free Basic Electricity monthly allowance of 50kWh - (2010: 50kWh -), which is funded from the grant.

Ant-corruption Strategy Grant

Balance unspent at beginning of year	39,085	39,085
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Conditions still to be met - remain liabilities (see note 11).

Municipal Governance Grant

Balance unspent at beginning of year	600,000	-
Current-year receipts	-	600,000
Conditions met - transferred to revenue	(576,026)	-
	23,974	600,000

Conditions still to be met - remain liabilities (see note 11).

Capacity Building Grant

Balance unspent at beginning of year	199,133	199,133
Conditions met - transferred to revenue	(104,649)	-
	94,484	199,133

Conditions still to be met - remain liabilities (see note 11).

Corridor Development Grant

Balance unspent at beginning of year	2,332,499	2,367,999
Conditions met - transferred to revenue	(548,384)	(35,500)
	1,784,115	2,332,499

Conditions still to be met - remain liabilities (see note 11).

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
20. Government grants and subsidies (continued)		
MPCC Grant		
Balance unspent at beginning of year	500,000	500,000
Conditions still to be met - remain liabilities (see note 11).		
MFMA Grant (Provincial)		
Balance unspent at beginning of year	105,127	105,127
Conditions still to be met - remain liabilities (see note 11).		
Cybercadet Grant		
Balance unspent at beginning of year	139,050	152,263
Current-year receipts	643,533	192,000
Conditions met - transferred to revenue	(663,854)	(205,213)
	118,729	139,050
Conditions still to be met - remain liabilities (see note 11).		
IDP Grant		
Balance unspent at beginning of year	4,604	26,007
Conditions met - transferred to revenue	-	(21,403)
	4,604	4,604
Conditions still to be met - remain liabilities (see note 11).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	(535,142)	390,266
Current-year receipts	12,977,000	13,597,000
Conditions met - transferred to revenue	(11,833,450)	(14,522,408)
	608,408	(535,142)
Conditions still to be met - remain liabilities (see note 11).		
Financial System Grant (DBSA & COGTA)		
Balance unspent at beginning of year	(345,444)	700,000
Conditions met - transferred to revenue	-	(1,045,444)
	(345,444)	(345,444)
Conditions still to be met - remain liabilities (see note 11).		
Management Assistance Program Grant (MAP)		
Balance unspent at beginning of year	526,645	1,090,288
Conditions met - transferred to revenue	(310,143)	(563,643)
	216,502	526,645
Conditions still to be met - remain liabilities (see note 11).		

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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20. Government grants and subsidies (continued)

Municipal Systems Improvement Grant

Balance unspent at beginning of year	4,867	79,616
Current-year receipts	750,000	735,000
Conditions met - transferred to revenue	(734,491)	(809,749)
	20,376	4,867

Conditions still to be met - remain liabilities (see note 11).

Housing Grant

Balance unspent at beginning of year	(110,100)	-
Conditions met - transferred to revenue	-	(110,100)
	(110,100)	(110,100)

Conditions still to be met - remain liabilities (see note 11).

Finance Management Grant (National Treasury)

Balance unspent at beginning of year	1,638	167,792
Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,241,909)	(1,166,154)
	9,729	1,638

Conditions still to be met - remain liabilities (see note 11).

Public Participation Grant

Balance unspent at beginning of year	(60,438)	(60,438)
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Conditions still to be met - remain liabilities (see note 11).

Synergistic Partnership Grant

Balance unspent at beginning of year	247,450	344,610
Conditions met - transferred to revenue	(1,544)	(97,160)
	245,906	247,450

Conditions still to be met - remain liabilities (see note 11).

Youth Fund Grant (Umsobomvu/NYDA)

Balance unspent at beginning of year	22,469	179,008
Conditions met - transferred to revenue	(22,469)	(156,539)
	-	22,469

Conditions still to be met - remain liabilities (see note 11).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Other income		
Clearance Certificates	3,863	1,047
Signs	59,554	19,794
Connection fees	53,382	130,260
Building Plans	23,610	9,281
Burial fees	37,526	40,325
Tender monies	128,783	33,809
Donation	-	42,000
Sundry Income	32,004	246,511
KZN Planning & Development Act Fees	1,316	-
GIS Maps sales	381	-
Library Fines	6,389	-
LGSETA Allowance	52,900	-
	399,708	523,027
22. General expenses		
Advertising	102,073	142,968
Auditors remuneration	1,505,563	787,355
Bank charges	69,697	70,733
Cleaning	-	12,215
Consulting and professional fees	1,655,265	1,241,572
Consumables	247,565	833,747
Entertainment	50,995	41,052
Fines and penalties	28,976	-
Insurance	400,765	180,099
Youth development	476,233	354,676
IT expenses	51,690	2,900
Marketing	55,532	-
Promotions and sponsorships	-	15,135
Motor vehicle expenses	26,659	85,077
Fuel and oil	484,934	396,545
Printing and stationery	317,187	322,157
Community Development Projects	1,019,157	305,347
Software expenses	245,966	51,584
Subscriptions and membership fees	147,835	297,155
Telephone and fax	364,044	458,911
Training	9,123	55,199
Travel - local	293,123	364,467
Electricity	167,159	-
Uniforms	146,110	97,300
Tourism development	55,000	50,000
Audit Committee	24,843	23,525
Indegent (FBE)	1,053,125	1,288,578
Other expenses	12,139	84,256
	9,010,758	7,562,553

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
23. Employee related costs		
Basic	12,238,791	10,663,375
Bonus	993,076	961,143
Medical aid - company contributions	540,873	395,748
UIF	114,184	102,356
SDL	174,442	104,512
Leave pay provision charge	72,021	140,031
Group Life Insurance	11,070	20,394
Post-employment benefits - Pension - Defined contribution plan	1,408,208	1,198,211
Overtime payments	67,546	68,910
Car allowance	1,085,150	1,060,832
Housing benefits and allowances	300,286	197,685
Telephone and Cellphone Allowance	59,462	96,360
	17,065,109	15,009,557
Remuneration of municipal manager		
Annual Remuneration	782,940	731,720
Contributions to UIF, Medical and Pension Funds	9,083	8,660
Cellphone Allowance	12,000	12,000
	804,023	752,380
Remuneration of chief finance officer		
Annual Remuneration	636,940	542,118
Contributions to UIF, Medical and Pension Funds	7,356	6,447
Cellphone Allowance	6,000	6,000
	650,296	554,565
Corporate and community resources		
Annual Remuneration	621,147	580,727
Contributions to UIF, Medical and Pension Funds	7,570	7,116
Cellphone Allowances	6,000	6,000
	634,717	593,843
Development planning and Housing		
Annual Remuneration	531,615	534,720
Contributions to UIF, Medical and Pension Funds	5,995	6,808
Cellphone Allowance	6,000	6,000
	543,610	547,528
Technical Services		
Annual Remuneration	614,367	304,464
Contributions to UIF, Medical and Pension Funds	7,112	3,598
Cellphone Allowance	6,000	6,000
	627,479	314,062

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
24. Remuneration of councillors		
Mayor	313,268	154,908
Deputy Mayor	253,595	237,098
Executive Committee Members	970,721	774,141
Speaker	254,097	179,998
Ordinary Councillors	4,174,079	3,588,829
Contributions to UIF and SDL	84,987	55,812
	6,050,747	4,990,786
In-kind benefits		
The Mayor, Deputy Mayor, Speaker are part-time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council.		
The Mayor have the use of Council owned vehicle for official duties.		
The Mayor has one full-time driver.		
25. Debt impairment		
Provision for bad debts	114,091	2,313,108
26. Investment revenue		
Interest revenue		
Bank	512,665	262,672
	-	-
	512,665	262,672
27. Depreciation and amortisation		
Property, plant and equipment	4,008,496	3,721,394
Intangible assets	-	899
	4,008,496	3,722,293
28. Finance costs		
Non-current borrowings	91,303	149,749
Finance leases	-	204,480
	91,303	354,229
29. Auditors' remuneration		
Fees	1,505,563	787,355
30. Contracted services		
Firefighting Services	1,044,479	977,788
Security	520,992	577,412
	1,565,471	1,555,200

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
31. Grants and subsidies paid		
Financial System	-	1,319,443
Public Participation	-	97,455
Municipal Infrastructure Grant	-	11,706,350
Municipal Systems Improvement Grant	660,463	347,815
Municipal Finance Management Grant	-	777,850
Cybercadet Grant	656,815	205,213
KZN Treasury (Housing)	-	465
DLGTA-GIS	-	24,832
Corridor Development Grant	(67,284)	28,000
DLGTA- IDP	-	88,764
Synergistic Partnership	1,544	85,866
Management Assistance Program	278,415	483,259
Municipal Finance Management Grant	958,022	97,200
Bornem Grant	96,363	-
Youth Fund Grant (NYDA)	22,469	-
Municipal Governance Grant	576,026	-
Anti-Corruption Strategy	39,085	-
Capacity Building	138,817	-
	3,360,735	15,262,512
Grants paid to ME's	-	-
Other subsidies	3,360,735	15,262,512
32. Bulk purchases		
Electricity	9,129,916	7,964,441
33. Cash generated from operations		
Surplus	30,121,021	7,084,291
Adjustments for:		
Depreciation and amortisation	4,008,496	3,722,293
Loss on sale of assets and liabilities	-	(53,976)
Finance costs - Finance leases	-	204,480
Debt impairment	114,091	2,313,108
Movements in provisions	249,848	297,294
Changes in working capital:		
Inventories	(348,432)	(211,109)
Trade and other receivables from exchange transactions	(641,699)	(48,037)
Consumer debtors	(5,819,912)	(4,547,564)
Trade and other payables from exchange transactions	(2,475,936)	2,451,318
VAT	2,659,907	2,477,922
Unspent conditional grants and receipts	8,242,471	(2,102,471)
Consumer deposits	5,014	85,673
	36,114,869	11,673,222
34. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	-	26,521,751

This committed expenditure relates to plant and equipment and will be financed by retained surpluses, unspent grants, existing cash resources, funds internally generated, etc.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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35. Contingencies

The Municipality has the following contingent liabilities:

A middle-income housing developer contracted by the municipality is suing the municipality for an alleged breach of the contract and the municipality is defending the matter and is awaiting legal advice of the Senior Counsel

Litigation is in the process against the municipality relating to a dispute with an ex-staff member who is claiming accumulated leave of approximately R308 000, 00 together with interest of 15, 5 %. The matter is still under litigation.

The ex-staff member has referred an application for review to the labour court claiming he was unfairly dismissed. The matter is still under litigation.

A supplier instituted action in the High Court claiming approximately R2 500 000 plus interest. The municipality has raised a counterclaim of R750 000, 00. The supplier's claim is contrary to the agreed contract with the municipality and the matter is still under litigation.

36. Prior period errors

The future use of vacant land that the municipality owns has not been determined as yet and this must be classified as Investment property.

Depreciation was incorrectly raised on Investment Property

Payments made to consultants working on VAT was incorrectly debited into VAT control Account instead of consultation fees.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in Property, plant and equipment	-	(14,000,000)
Increase in Investment Property	-	14,638,722
Decrease in Accumulated Depreciation	-	638,722
Decrease in VAT control account	-	1,289,031

37. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	134,395	81,380
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Audit fees

Current year subscription / fee	913,073	787,355
Amount paid - current year	(913,073)	(787,355)
	-	-

PAYE and UIF

Current year deductions and council contributions	3,449,567	2,474,260
Amount paid - current year	(3,449,567)	(2,474,260)
	-	-

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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38. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year deductions and council contributions	3,378,744	3,123,626
Amount paid - current year	(3,378,744)	(3,123,626)
	-	-

VAT

VAT receivable	-	964,487
VAT payable	1,695,420	-
	1,695,420	964,487

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor IT Nhlebela	765	5,108	5,873
Councillor IT Nhlebela	765	5,111	5,876
Councillor IT Nhlebela	758	4,687	5,445
Councillor ZG Ngcobo	420	2,806	3,226
Councillor ZG Ngcobo	468	3,343	3,811
	3,176	21,055	24,231

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor TC Njoko	1,093	-	1,093
Councillor GJG Mncube	867	-	867
Councillor VB Ntombela	58	-	58
Councillor NN Khanyile	1,343	-	1,343
	3,361	-	3,361

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

39. Material Losses - Electricity

Electricity losses	kWh	R
Purchased	17,379,099	10,341,854
Sold	(3,977,744)	(6,609,132)
Material Losses	13,401,355	3,732,722

The municipality is licensed by the National Electricity Regulator of South Africa to distribute electricity within the proclaimed area of Nquthu Town.

The municipality has investigated the causes of the losses and the major contributing factor are illegal connections and tampering.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

40. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	2,906,225	-	8,866,875	8,866,875	6,729,318	2,137,557	76 %	232 %
Service charges	12,668,396	-	11,368,396	11,368,396	9,456,928	1,911,468	83 %	75 %
Investment revenue	80,000	-	160,000	160,000	512,665	(352,665)	320 %	641 %
Transfers recognised - operational	67,288,000	-	76,571,533	76,571,533	62,933,625	13,637,908	82 %	94 %
Other own revenue	838,354	-	849,700	849,700	1,277,113	(427,413)	150 %	152 %
Total revenue (excluding capital transfers and contributions)	83,780,975	-	97,816,504	97,816,504	80,909,649	16,906,855	83 %	97 %
Employee costs	(21,887,846)	-	(22,217,294)	(22,217,294)	(17,065,109)	(5,152,185)	77 %	78 %
Remuneration of councillors	(6,277,196)	-	(6,277,196)	(6,277,196)	(6,050,747)	(226,449)	96 %	96 %
Debt impairment	(683,042)	-	(683,042)	(683,042)	(114,091)	(568,951)	17 %	17 %
Depreciation and asset impairment	(683,042)	-	(683,042)	(683,042)	(4,008,496)	3,325,454	587 %	587 %
Finance charges	(150,000)	-	(150,000)	(150,000)	(91,303)	(58,697)	61 %	61 %
Bulk purchases - electricity	(19,837,000)	-	(9,940,776)	(9,940,776)	(9,129,916)	(810,860)	92 %	46 %
Transfers and grants	(29,143,533)	-	(29,143,533)	(29,143,533)	(3,360,735)	(25,782,798)	12 %	12 %
Other expenditure	(19,979,629)	-	(18,136,859)	(18,136,859)	(11,072,880)	(7,063,979)	61 %	55 %
Total expenditure	(98,641,288)	-	(87,231,742)	(87,231,742)	(50,893,277)	(36,338,465)	58 %	52 %
Total revenue (excluding capital transfers and contributions)	83,780,975	-	97,816,504	97,816,504	80,909,649	16,906,855	83 %	97 %
Total expenditure	(98,641,288)	-	(87,231,742)	(87,231,742)	(50,893,277)	(36,338,465)	58 %	52 %
Surplus/(Deficit)	(14,860,313)	-		10,584,762	30,016,372	(19,431,610)	284 %	(202)%

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

40. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-		-	104,649	(104,649)	DIV/0 %	DIV/0 %
Surplus/(Deficit)	(14,860,313)	-	-	10,584,762	30,016,372	(19,431,610)	284 %	(202)%
Capital transfers and contributions	-	-	-	-	104,649	(104,649)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(14,860,313)	-		10,584,762	30,121,021	(19,536,259)	285 %	(203)%
Surplus (Deficit) after capital transfers and contributions	(14,860,313)	-	-	10,584,762	30,121,021	(19,536,259)	285 %	(203)%
Surplus/(Deficit) for the year	(14,860,313)	-		10,584,762	30,121,021	(19,536,259)	285 %	(203)%

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

40. Statement of comparative and actual information (continued)

Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Nquthu Local Municipality

Appendix A

June 2011

Schedule of external loans as at 30 June 2011

Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA Loan @ 1%	100524/2 December 2014	2,560,277	-	558,936	2,001,341	6,330,266	-
DBSA Loan @ 5%	100524/3 January 2016	1,433,437	-	189,194	1,244,243	1,604,137	-
		3,993,714	-	748,130	3,245,584	7,934,403	-
Total external loans		3,993,714	-	748,130	3,245,584	7,934,403	-

June 2011

Cost/Revaluation

Land and buildings

Land (Separate for AFS purposes)	16,087,000	-	-	-	-	-	16,087,000	-	-	-	-	-	-	16,087,000
Buildings (Separate for AFS purposes)	10,902,783	-	-	-	-	-	10,902,783	(1,849,854)	-	-	-	-	(1,849,854)	9,052,929
	26,989,783	-	-	-	-	-	26,989,783	(1,849,854)	-	-	-	-	(1,849,854)	25,139,929

Infrastructure

Roads, Pavements & Bridges	24,428,722	-	-	-	-	-	24,428,722	(7,953,884)	-	-	-	-	(7,953,884)	16,474,838
Electricity	7,885,416	-	-	-	-	-	7,885,416	(4,579,439)	-	-	-	-	(4,579,439)	3,305,977
	32,314,138	-	-	-	-	-	32,314,138	(12,533,323)	-	-	-	-	(12,533,323)	19,780,815

Community Assets

Refugee sites	1,800,000	-	-	-	-	-	1,800,000	(1,063,618)	-	-	-	-	(1,063,618)	736,382
Sportsfields and stadium	1,498,819	-	-	-	-	-	1,498,819	(290,457)	-	-	-	-	(290,457)	1,208,362
Care Centre	266,668	-	-	-	-	-	266,668	(21,017)	-	-	-	-	(21,017)	245,651
Community halls	161,914	-	-	-	-	-	161,914	(11,800)	-	-	-	-	(11,800)	150,114
Libraries	112,000	-	-	-	-	-	112,000	(16,130)	-	-	-	-	(16,130)	95,870
Cemeteries	1,092,182	-	-	-	-	-	1,092,182	(175,577)	-	-	-	-	(175,577)	916,605
	4,931,583	-	-	-	-	-	4,931,583	(1,578,599)	-	-	-	-	(1,578,599)	3,352,984

June 2011

Cost/Revaluation

Other assets

Total property plant and equipment

Intangible assets

Investment properties

Total

June 2011

Cost/Revaluation	Accumulated Depreciation
1000	0
1000	1000
1000	2000
1000	3000
1000	4000
1000	5000
1000	6000
1000	7000
1000	8000
1000	9000
1000	10000
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1000	142000
1000	14

Municipality														
Executive & Council/Mayor and Council	8,455,355	-	-	-	-	-	8,455,355	(5,353,013)	-	-	-	-	(5,353,013)	3,102,342
Finance & Admin/Finance	9,522,797	-	-	-	-	-	9,522,797	(2,743,195)	-	-	-	-	(2,743,195)	6,779,602
Planning and Development/Economic Development/Plan	46,321,576	-	-	-	-	-	46,321,576	(6,729,857)	-	-	-	-	(6,729,857)	39,591,719
Public Defence Services	3,596,649	-	-	-	-	-	3,596,649	(820,036)	-	-	-	-	(820,036)	2,776,613
Works	10,524,019	-	-	-	-	-	10,524,019	(6,675,358)	-	-	-	-	(6,675,358)	3,848,661
	78,420,396	-	-	-	-	-	78,420,396	(22,321,459)	-	-	-	-	(22,321,459)	56,098,937
Total														
Municipality	78,420,396	-	-	-	-	-	78,420,396	(22,321,459)	-	-	-	-	(22,321,459)	56,098,937
	78,420,396	-	-	-	-	-	78,420,396	(22,321,459)	-	-	-	-	(22,321,459)	56,098,937

Nquthu Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
Municipal Governance Grant	KZN-COGTA	-	-	-	-	315,760	191,626	-	68,640	-	-	-	-		Yes	
Capacity Building	KZN-COGTA	-	-	-	-	-	-	-	104,649	-	-	-	-		Yes	
MFMA	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Corridor Development	KZN-COGTA	-	-	-	-	267,590	208,062	-	72,732	-	-	-	-		Yes	
MPCC	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Cybercadet	KZN-Arts & Culture (Libraries)	441,933	-	-	201,600	140,147	271,534	-	252,174	-	-	-	-		Yes	
Anti-corruption strategy Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Municipal Infrastructure Grant (MIG)	COGTA-National	5,000,000	4,500,000	3,477,000	-	2,212,108	2,033,611	1,578,763	6,008,968	-	-	-	-		Yes	
Financial System Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Management Assistance Program	KZN-COGTA	-	-	-	-	-	51,781	98,051	160,311	-	-	-	-		Yes	
Municipal Systems Improvement Grant	COGTA-National	750,000	-	-	-	-	106,789	449,220	178,482	-	-	-	-		Yes	
Housing	KZN-Housing	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Financial Management Grant	National Treasury	1,250,000	-	-	-	264,316	460,848	410,354	106,390	-	-	-	-		Yes	
Synergistic Partnership Grant	KZN-COGTA	-	-	-	-	-	1,346	198	-	-	-	-	-		Yes	

Public Participation Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Youth Fund	NYDA	-	-	-	-	-	-	22,469	-	-	-	-	-	Yes
(Umsobomvu/NYDA)														
CBD Roass Rehabilitation	KZN-COGTA	-	9,000,000	-	-	-	-	-	-	-	-	-	-	
Bornem Grant	Bornem	75,494	72,392	-	-	42,980	-	40,910	17,678	-	-	-	-	
	(Belgium)													
Lirbrary Volunteer	KZN-Arts &	-	12,000	-	-	-	-	-	6,922	-	-	-	-	
	Culture													
	(Libraries)													
		7,517,427	13,584,392	3,477,000	201,600	3,242,901	3,325,597	2,599,965	6,976,946	-	-	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.